

CALENDAR ITEM
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A. Reid

**CONSIDER APPROVAL OF THE FINAL REPORT AND CLOSING
STATEMENT FOR THE LONG BEACH UNIT ANNUAL PLAN
(JULY 1, 2005 THROUGH JUNE 30, 2006),
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY**

APPLICANT:

City of Long Beach
Long Beach Gas and Oil Department
Attn: Mr. Christopher Garner, Director
211 E. Ocean Blvd., Suite 500
Long Beach, CA 90802

BACKGROUND:

The City of Long Beach has submitted to the California State Lands Commission (Commission) the Final Report and Closing Statement of the FY 2005-2006 Annual Plan, Long Beach Unit, covering the period July 1, 2005 through June 30, 2006. This report provides the actual performance for the full Fiscal Year 2005-2006.

There were no modifications to the original budget of \$272,000,000 during the fiscal year. Also, there were no changes made to the amount or distribution of funds between the five budget categories.

The average oil and gas rates for the 2005-2006 Fiscal Year were reported to be 31,050 bbls/day of oil (1,131 bbls/day less than originally estimated) and 8,712 MCF/day of gas (280 MCF/day more than forecast). The reason for the lower than anticipated oil production rate was a greater than expected decline in base production and a slower pace of completed wells. There were 45 wells actually completed during the fiscal year versus 60 wells that were budgeted. The drilling preparation and well completion activities were slower than expected due to more complex drilling and completion methods being employed.

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The cumulative recoveries and injection through June 2006 are as follows:

Oil Production	949,031,166 Barrels
Gas Production	249,569,741 MCF
Water Production	6,387,968,585 Barrels
Water Injection	8,306,717,347 Barrels

Cumulative Injection - Gross Production Ratio is 1.132 bbls/bbl.

Total expenditures for the Unit were \$273.3 million, which was \$1.3 million higher than the approved budget for Fiscal Year 2005-2006. The increase in expenditures was primarily the result of higher than anticipated electricity costs, higher costs for maintenance, the result of doing more elective well work, and higher field labor and administrative costs.

Net profit for the 2005-2006 fiscal year was \$360.4 million, which was \$286.6 million more than the approved budget estimate. The approved budget forecast used an oil price of \$28/bbl and a gas price of \$5.50/Mcf. The actual prices averaged \$54.46/bbl of oil and \$5.20/Mcf of gas for the fiscal year.

The actual oil and gas prices, expenditures, and net profit, by quarter and totaled for Fiscal Year 2005-2006, are shown in the table below.

MILLION DOLLARS					
	ACTUAL FIRST QUARTER FY 05-06	ACTUAL SECOND QUARTER FY 05-06	ACTUAL THIRD QUARTER FY 05-06	ACTUAL FOURTH QUARTER FY 05-06	ACTUAL TOTAL FISCAL YEAR 05-06
Oil Revenue	154.5	145.5	149.1	168.0	617.2
Gas Revenue	3.9	4.2	4.2	4.2	16.5
Expenditures	58.4	77.8	64.8	72.3	273.3
Net Profit	100.0	72.0	88.5	99.9	360.4
Original Budget Net Profit	21.5	1.6	19.9	20.8	73.8
Change	78.5	60.4	68.6	79.1	286.6
Oil Price \$/BBL	53.82	50.73	53.03	60.40	54.46
Gas Price \$/MCF	4.87	5.33	5.44	5.18	5.20

Commission staff has reviewed the Final Report and Closing Statement for the Annual Plan, including production, injection, expenditures and revenue figures, and has prepared Exhibits A and B, attached hereto, to represent graphically the actual fiscal year performance compared to the approved budget.

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OTHER PERTINENT INFORMATION

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

EXHIBITS:

- A. Fiscal Year 2005-2006 Financial Performance, Annual Plan vs. Budget.
- B. Fiscal Year 2005-2006 Oil Rate, Annual Plan vs. Budget.
- C. Letter from the City of Long Beach requesting approval of the Final Closing Statement.

PERMIT STREAMLINING ACT DEADLINE:

N/A (not a "development project" subject to the Act)

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

APPROVE THE FINAL REPORT AND CLOSING STATEMENT FOR THE LONG BEACH UNIT ANNUAL PLAN, FOR THE PERIOD JULY 1, 2005 THROUGH JUNE 30, 2006, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

Exhibit A

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LBU Financial Performance FISCAL YEAR 2005-2006 ANNUAL PLAN VS ACTUAL

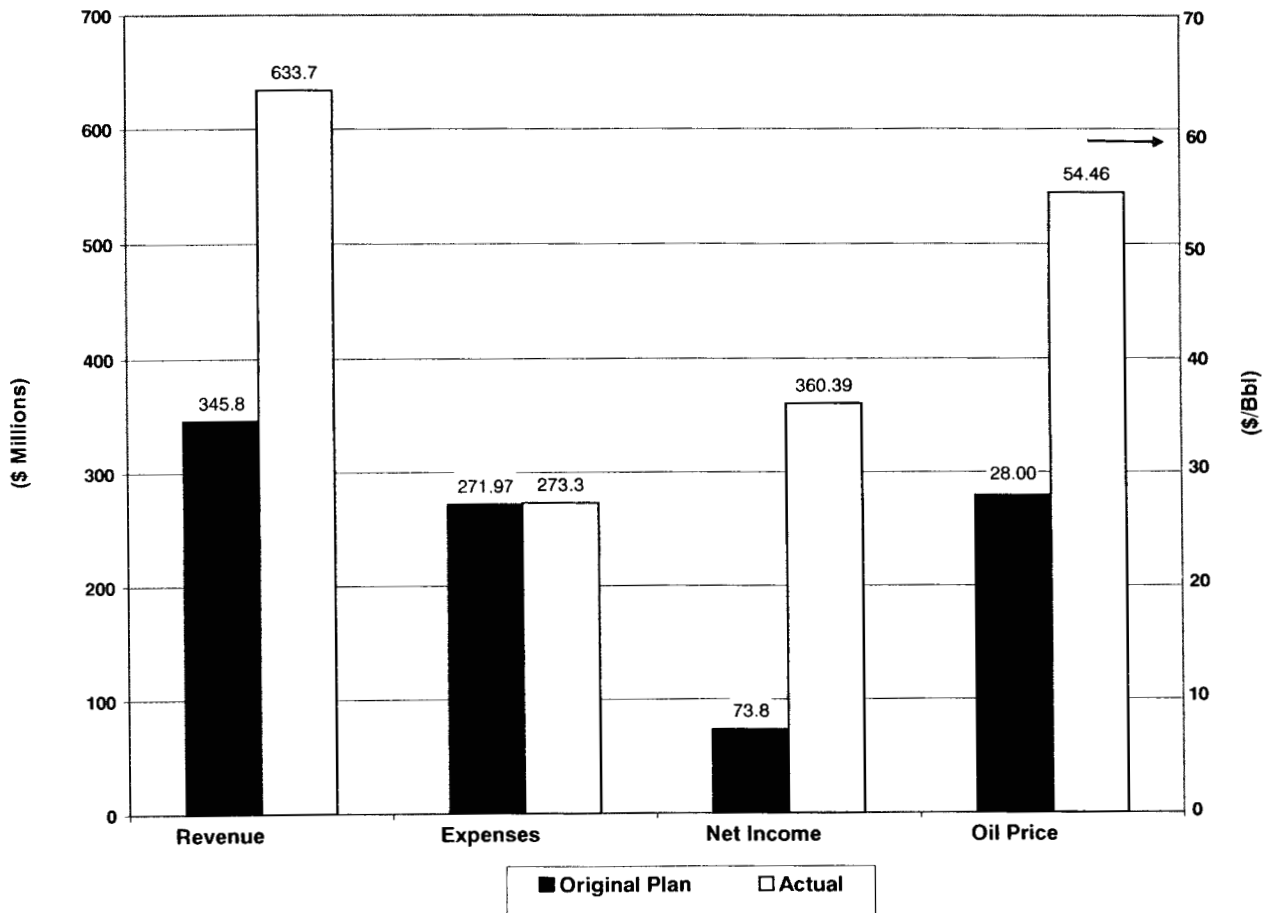
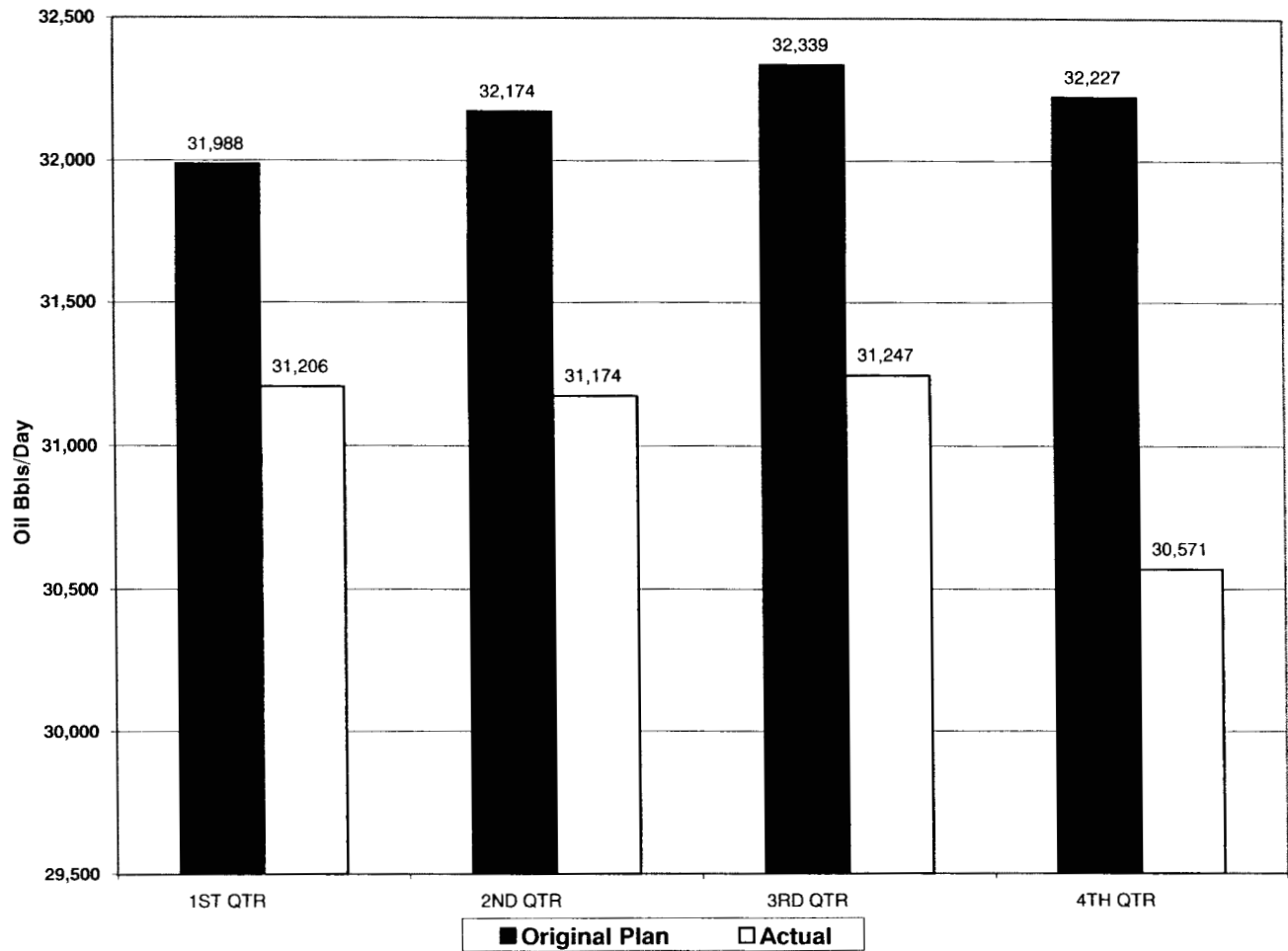


Exhibit B

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LBU OIL RATE PERFORMANCE FISCAL YEAR 2005-2006 ANNUAL PLAN VS ACTUAL



CITY OF LONG BEACH



DEPARTMENT

Exhibit C

CHRISTOPHER J. GARNER
DIRECTOR

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www.lbgo.org

December 12, 2006

Mr. Paul B. Mount II, P.E.
Chief, Mineral Resources Management Division
California State Lands Commission
200 Oceangate, 12th Floor
Long Beach, CA 90802-4331

**SUBJECT: REQUEST FOR APPROVAL OF THE FINAL REPORT AND CLOSING
STATEMENT FOR THE ANNUAL PLAN (JULY 1, 2005 THROUGH
JUNE 30, 2006) - Revised**

Dear Mr. Mount:

In accordance with provisions of Part IV, Section C, of the Annual Plan, we are submitting this revised final report and closing statement for the Annual Plan covering the period July 1, 2005 through June 30, 2006. This report contains a reconciliation of Unit activities by Category. The reconciliation for the Development Drilling Category has been revised from our October 9, 2006 letter to you to report that 45 (versus 36) wells were completed during the Period.

DEVELOPMENT DRILLING - Revised

The Development Drilling Category provides funding for all drilling and redrilling activity, as well as maintenance and replacements for drilling equipment within the Unit.

Operations Review

During the Plan period 45 new wells were completed. Following is a listing of both new completions and redrills by zone:

Zone	New Completions			Redrills		
	Prod	Inj	Total	Prod	Inj	Total
Tar	0	0	0	0	0	0
Ranger	9	3	12	9	6	15
Terminal	4	0	4	1	1	2
Upper/Lower Terminal	1	0	1	0	1	1
UP-Ford	1	0	1	4	5	9
237	0	0	0	0	0	0
Totals	15	3	18	14	13	27

BUSINESS OPERATIONS
(562) 570-2094

ENGINEERING/CONSTRUCTION
(562) 570-2031

GAS SERVICES
(562) 570-2110

OIL OPERATIONS
(562) 570-3900

OIL PRODUCTIONS/SUBSIDENCE
(562) 570-3900

S.E.R.R.F.
(562) 570-1195

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On June 30, 2006, the total number of wells in the Unit was 1,305, of which 851 were producers and 454 were injectors. Excluded from these totals are the abandoned wells.

Budget to Actual Variance

The Development Drilling Category budget was \$70,000,000, of which \$66,322,000, or 94.7 percent, was expended. The Plan provided funds for approximately 60 new and redrilled wells that were to be drilled with two full-time drilling rigs and a half-time drilling rig. Drilling preparation and well completion activities were slower than expected with 45 wells being drilled or redrilled. More complex drilling completion methods were employed, and there was a longer than anticipated drilling cycle time due to vendor integration issues.

OPERATING EXPENSE

The Operating Expense Category provides funding for the ongoing cost of day-to-day well production and injection operations necessary for producing, processing, and delivering crude oil and gas, for all electric power costs and abandonment costs.

Operations Review

- Unit oil shipments during the Plan period averaged 31,050 bbls/day, which was 1,131 bbls/day lower than estimated in the Plan. Production lagged due to a greater than expected decline in base production, and a slower pace of completed wells.
- Gas production averaged 8,712 mcf/day, which was 280 mcf/day higher than estimated in the Plan. Shallow gas development accounted for 41 mcf/day.
- Water injection averaged 927,329 bbls/day, which was 22,118 bbls/day higher than originally estimated in the Plan. Water production averaged 838,633 bbls/day, which was 34,076 bbls/day higher than estimated.
- The average price for Unit crude oil was \$54.46/bbl during the Plan period. The Plan was based on \$28.00/bbl crude oil. The average price for Unit gas was \$5.20/mcf, and the Plan was based on \$5.50/mcf.
- Nine abandonment jobs were performed that totaled \$420,000. The Plan included \$1,448,000 for abandonment expenses.

Budget to Actual Variance

The Operating Expense Category had a budget of \$96,300,000, of which \$106,371,000, or 110.5 percent, was expended. The higher spending level is primarily related to

electricity, which was budgeted at \$60.9 million, but came in at \$65.4 million. Electricity was impacted by higher grid rates and fuel costs. Also impacting this Category was Maintenance Well work, which was budgeted at \$28.1 million but came in at \$33.9 million. This increased expenditure was the result of performing more elective well work to leverage the high oil price and support the Unit's higher injectivity needs.

FACILITIES, MAINTENANCE, AND PLANT

The Facilities, Maintenance, and Plant Category provides funds for maintenance, repairs, upgrades, additions of surface facilities and pipelines, and costs for general field services.

Operations Review

Projects with significant expenditures during the fiscal year include the following:

- Amine Plant
- White Injection Pumps
- Add injection capacity - Freeman
- Oil Transfer Pump Resize all locations
- EFS Upgrade – Power Plant
- Shallow Gas Production
- Subsea Line Inspection
- Pier J Culvert Piping
- White Test Line Repairs
- Chaffee FWKO Manifold
- Grissom Culvert Piping to Cellar #2
- Energy Efficient Projects (Harmonic Filters)
- Increased Capacity Projects - Scope and Design

Budget to Actual Variance

The Facilities, Maintenance, and Plant Category had a budget of \$46,800,000, of which \$41,368,000, or 88.4 percent, was expended. Lower expenditures in this Category were primarily the result of a reduced pace on Amine Plant project. It was budgeted for \$9 million and had expenditures of approximately \$1.5 million.

UNIT FIELD LABOR AND ADMINISTRATIVE

The Unit Field Labor and Administrative Category provides funding for salaries, benefits, training, and other expenses of all Unit personnel, and costs for other Unit support activities. Unit support activities include costs for professional and temporary services, data processing and general office equipment and materials, Unit Operator

Mr. Paul Mount
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billable costs, Oxy Long Beach, Inc. billable costs, management projects, extraordinary losses and claims, and prior year adjustments.

Budget to Actual Variance

The Unit Field Labor and Administrative Category had a budget of \$37,900,000 of which \$44,528,000, or 117.5 percent, was expended.

The Unit Field Labor and Administrative Category spending was higher than Plan primarily due to accelerated pension and retirement benefit contributions made during the fiscal year, as well as professional services for the third rig and development program.

TAXES, PERMITS, AND ADMINISTRATIVE OVERHEAD

The Taxes, Permits, and Administrative Overhead Category provides funding for specific taxes, permits, licenses, land leases, and all administrative overhead costs for the Unit.

Budget to Actual Variance

The Taxes, Permits, and Administrative Overhead Category had a budget of \$21,000,000 of which \$14,710,000, or 70.0 percent, was expended.

The Taxes, Permits, and Administrative Overhead Category spending was lower than Plan as the Unit benefited from tax refunds resulting from a favorable settlement over prior property tax appeals.

SUMMARY

The Long Beach Unit FY05/06 budget was \$272,000,000, of which \$273,298,000 or 100.5 percent was expended. Fiscal year profit of \$360,390,000 was \$286,590,000 more than the planned Unit Net Profit estimate of \$73,800,000. Contributing to the higher than anticipated profits was the high price of crude oil during the Plan period. Unit crude oil averaged \$54.46/bbl during the Plan period, while the budget was based on \$28.00/bbl.

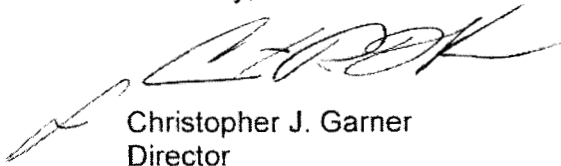
Significant effort was made during the Plan period to maintain Unit strategic investment initiatives that began during the previous fiscal year. The Unit's development program was successful, and significant gains were made in repairing and upgrading the Unit's facility infrastructure. Finally, progress was made in resolving longstanding property tax appeals.

Mr. Paul Mount
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BUDGET RECONCILIATION

Attached are the June 2006 Budget Statement for Fiscal Year Projects; Annual Plan Economic Projections; Major Planning Assumptions; rates and volumes of oil, gas, and water production and water injection by location and zone; and an end-of-the-period report of number of wells.

Sincerely,



Christopher J. Garner
Director

CJG:scs

Enclosures

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**B. Economic
Projections**

(Data in Thousands of \$)	ACTUAL FIRST QUARTER FY05/06	ACTUAL SECOND QUARTER FY05/06	ACTUAL THIRD QUARTER FY05/06	ACTUAL FOURTH QUARTER FY05/06	ACTUAL TOTAL FISCAL YEAR FY05/06	BUDGET TOTAL FISCAL YEAR FY05/06	% ACTUAL OVER/UNDER(-) BUDGET FY05/06
ESTIMATED REVENUE							
Oil Revenue	\$154,500	\$145,505	\$149,128	\$168,019	\$617,152	\$328,892	87.6%
Gas Revenue	\$3,914	\$4,241	\$4,163	\$4,218	\$16,536	\$16,927	-2.3%
TOTAL REVENUE	\$158,414	\$149,746	\$153,291	\$172,237	\$633,688	\$345,819	83.2%
ESTIMATED EXPENDITURES							
Development Drilling	\$10,817	\$16,073	\$19,184	\$20,247	\$66,322	\$69,971	-5.2%
Operating Expense	\$23,161	\$36,564	\$22,269	\$24,376	\$106,371	\$96,332	10.4%
Facilities & Maintenance	\$9,223	\$11,447	\$8,224	\$12,473	\$41,368	\$46,778	-11.6%
Unit Field Labor & Admin	\$10,596	\$12,218	\$11,411	\$10,304	\$44,528	\$37,851	17.6%
Taxes, Permits & Admin. Overhead	\$4,572	\$1,448	\$3,744	\$4,946	\$14,710	\$21,037	-30.1%
TOTAL EXPENDITURES	\$58,369	\$77,749	\$64,833	\$72,347	\$273,298	\$271,970	0.5%
NET PROFIT	\$100,045	\$71,997	\$88,458	\$99,890	\$360,390	\$73,849	388.0%

**C. Major Planning
Assumptions**

	ACTUAL FIRST QUARTER FY05/06	ACTUAL SECOND QUARTER FY05/06	ACTUAL THIRD QUARTER FY05/06	ACTUAL FOURTH QUARTER FY05/06	ACTUAL TOTAL FISCAL YEAR FY05/06	BUDGET TOTAL FISCAL YEAR FY05/06	% ACTUAL OVER/UNDER(-) BUDGET FY05/06
OIL PRODUCTION:							
QUARTERLY (1,000 BBL)	2,871	2,868	2,812	2,782	11,333	11,746	
AVERAGE B/D	31,206	31,174	31,247	30,571	31,050	32,181	-3.52%
GAS PRODUCTION:							
QUARTERLY (MMCF)	804	796	766	814	3,180	3,078	
AVERAGE MCF/D	8,744	8,649	8,509	8,945	8,712	8,432	3.33%
WATER PRODUCTION:							
QUARTERLY (1,000 BBL)	76,326	78,305	75,593	75,877	306,101	293,663	
AVERAGE B/D	829,631	851,144	830,691	833,814	838,633	804,556	4.24%
WATER INJECTION							
QUARTERLY (1,000 BBL)	85,226	86,436	83,465	83,349	336,475	330,402	
AVERAGE B/D	926,367	939,520	917,196	915,919	927,329	905,211	2.44%
AVG OIL PRICE (\$/BBL)	\$53.82	\$50.73	\$53.03	\$60.40	\$54.46	\$28.00	94.5%
AVG GAS PRICE (\$/MCF)	\$4.87	\$5.33	\$5.44	\$5.18	\$5.20	\$5.50	-5.5%

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Shipped Oil Production**Gas Production**

<u>Location</u>	<u>Average B/D</u>	<u>Cumulative Bbls.</u>	<u>Average MCF/D</u>	<u>Cumulative MCF</u>
	<u>7/1/05-6/30/06</u>	<u>6/30/06</u>	<u>7/1/05-6/30/06</u>	<u>6/30/06</u>
Grissom	6,948	177,830,307	1,043	24,408,358
White	5,342	161,321,412	2,026	41,639,498
Chaffee	7,323	205,652,024	2,622	67,429,933
Freeman	8,704	262,444,261	2,342	89,736,681
Pier J (Inc. THX)	2,733	141,783,162	679	26,355,271
Total	31,050	949,031,166	8,712	249,569,741

Reservoir

Shallow Gas Zone	0	0	41	14,892
Tar V	75	1,688,436	30	720,907
Ranger (All Areas)	20,977	700,356,763	5,828	157,487,356
Upper Terminal & Lower Terminal VI, VII	2,974	88,147,695	650	13,630,626
Terminal (Blocks VIII, 90)	3,155	55,481,284	870	15,566,779
Union Pacific-Ford (All Areas)	3,869	98,069,451	1,293	57,405,753
237 (All Areas)	0	5,287,537	0	4,743,428
Total	31,050	949,031,166	8,712	249,569,741

Water Production**Water Injection**

<u>Location</u>	<u>Average B/D</u>	<u>Cumulative Bbls.</u>	<u>Average B/D</u>	<u>Cumulative Bbls.</u>
	<u>7/1/05-6/30/06</u>	<u>6/30/06</u>	<u>7/1/05-6/30/06</u>	<u>6/30/06</u>
Grissom	221,842	1,565,803,943	235,019	2,001,628,727
White	157,962	1,199,638,996	168,332	1,597,009,283
Chaffee	155,350	1,043,442,238	186,020	1,696,350,241
Freeman	199,430	1,503,709,494	208,732	1,636,964,951
Pier J (Inc. THX)	104,049	1,075,373,914	129,225	1,374,764,145
Total	838,633	6,387,968,585	927,329	8,306,717,347

Reservoir

Shallow Gas Zone	0	0	0	0
Tar V	535	7,871,994	2,817	19,098,492
Ranger (All Areas)	679,703	5,149,626,263	741,855	6,990,244,419
Upper Terminal & Lower Terminal VI, VII	76,393	751,619,173	83,686	626,698,503
Terminal (Blocks VIII, 90)	39,297	202,923,636	47,331	312,575,846
Union Pacific-Ford (All Areas)	42,705	257,077,267	51,640	358,100,087
237 (All Areas)	0	18,850,252	0	0
Total	838,633	6,387,968,585	927,329	8,306,717,347

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NUMBER OF WELLS

As of June 30, 2006

	Producers	Injectors	Total
By Location			
Grissom	193	89	282
White	145	94	239
Chaffee	202	122	324
Freeman	219	99	318
Pier J (Inc. THX)	86	47	133
Total	845	451	1,296
By Reservoir			
Shallow Gas Zone	1	0	1
Tar V	9	2	11
Ranger (All Areas)	582	329	911
Upper & Lower Terminal VI, VII	88	41	129
Terminal (Blocks VIII, 90)	75	31	106
Union Pacific-Ford (All Areas)	90	48	138
237 (All Areas)	0	0	0
Total	845	451	1,296

(Figures exclude abandoned producers and abandoned injectors)